

# Hospital Quarterly Data Trends

No. 2, February 1998



## Preface

Financial and utilization data are submitted on a quarterly basis by California hospitals to the Office of Statewide Health Planning and Development (Office). The data collected through this program can be used by consumers, government agencies, hospital administrators, legislative analysts, media representatives, and others who are interested in obtaining information to determine the financial status of California hospitals, as well as emerging utilization patterns.

*Hospital Quarterly Data Trends* is published quarterly. This issue summarizes data for the four calendar quarters ending June 30, 1997, and, using charts, compares it with the data for prior quarters. Please note that each of the data points charted represents a twelve month period.

## Summary

Comparing the four quarters ending June 30, 1997 with the four quarters ending June 30, 1996 ("prior period"), hospital gross patient revenue increased by 6.5%. Net patient revenue increased by 3.4%, total inpatient days decreased by 1.1%, and total outpatient visits increased by 3.0% between these two periods.

While net patient revenue increased by 3.4%, total operating expenses increased 2.3%. As a result, net income from operations increased by 127.9%. Including non-operating revenue and expense, pre-tax income increased 36.8% from the prior period.

The statewide average length of stay (ALOS) for inpatients was 5.6 days com-

pared to 5.7 days in the prior period.

However, Los Angeles County had an ALOS of 5.9 days, while the central region of the State had an ALOS of 5.2 days.

## Financial Indicators

### *Total Gross Patient Revenue*

Total gross patient revenue (billed charges) for this period for both inpatient and outpatient services reached \$67.4 billion, up from \$63.3 billion for the prior period, an increase of 6.5%. The rate of change for gross outpatient revenue is one and a half times that of gross inpatient revenue (8.5% vs. 5.8%, respectively), as the trend of providing more services on an outpatient basis continues. At the same time, Medicare gross patient revenue increased by 5.5%, while Medi-Cal gross patient revenue decreased by 2.3%, and other third party gross patient revenue increased by 13.7%. The large increase in other third party gross patient revenue could be due to increases in the amount of managed care or private insurance, both of which are components of this category.

### *Deductions from Revenue*

Deductions from revenue represent the amounts billed for patient services that are not received by the hospital. For example, a hospital may bill a payer \$5,000 for services, but is paid only \$3,000, the contracted amount for those services. The \$2,000 difference is a deduction from revenue. For this period, deductions from revenue totaled \$38.8 billion, an increase of 8.9% over the prior period. Components of

deductions from revenue include contractual adjustments, disproportionate share payments, capitation premium revenue, bad debt, charity (including Hill-Burton and Other), and county indigent.

The largest component of deductions from revenue was other third party payers contractual adjustments, at \$15.8 billion, an increase of 22.1% over the prior period. Medicare and Medi-Cal deductions from revenue were \$12.1 billion and \$9.1 billion, respectively, representing a 6.9% increase for Medicare. Medi-Cal deductions from revenue decreased only slightly.

### ***Net Patient Revenue***

The amount of billed charges actually received by hospitals is the net patient revenue. During the year ending June 30, 1997, net patient revenue increased by \$948.9 million, from \$27.7 billion to \$28.6 billion, an increase of 3.4%. Because deductions from revenue increased at a faster rate (8.9%) than gross patient revenue (6.5%), the percentage change of net patient revenue was less than that of gross patient revenue.

### ***Operating Expenses***

During this period, operating expenses increased by 2.3%, from \$28.3 billion to \$28.9 billion, which nearly paralleled the California inflation rate of 2.0% for this quarter (as calculated by the Department of Finance). Meanwhile, the number of outpatient visits increased by 3.0%, from 37.9 million to 39.0 million and inpatient days decreased by 1.1%, from 16.3 million to 16.1 million. This shows that a greater volume of patients was seen at a proportionately smaller cost to hospitals, which could be due to a couple factors: (1) hospitals have improved the efficiency of their operations, and/or (2) the greater ratio of outpatients to inpatients results in a lower cost relative to volume.

### ***Net Income from Operations***

Net income from operations increased by \$394.9 million, from \$308.9 million to \$703.8 million, an increase of 127.9%, one of the

largest increases seen in recent years. This is due to total operating revenue increasing by a greater amount than operating expenses (\$1.0 billion compared to \$641.5 million, respectively).

## **Utilization Indicators**

### ***Discharges, Patient Days & Outpatient Visits***

Inpatient activity is primarily measured by discharges and inpatient days. During the four quarters ending June 30, 1997, discharges increased by 0.7%, inpatient days decreased by 1.1%, while outpatient visits increased by 3.0% over the prior period. These indicators are consistent with the trend, which began around 1990, toward greater outpatient services.

### ***Length of Stay***

Average length of stay (ALOS), the average time an inpatient stays in the hospital, decreased to 5.6 days for this period, from 5.7 days for the same period in 1996. Southern California counties, excluding Los Angeles County, had an average length of stay of 5.2 days, while Los Angeles County had an ALOS of 5.9 days. The San Francisco Bay Area counties had an ALOS of 5.8 days, and the central region had an ALOS of 5.2 days. The northern California counties had an ALOS of 5.7 days.

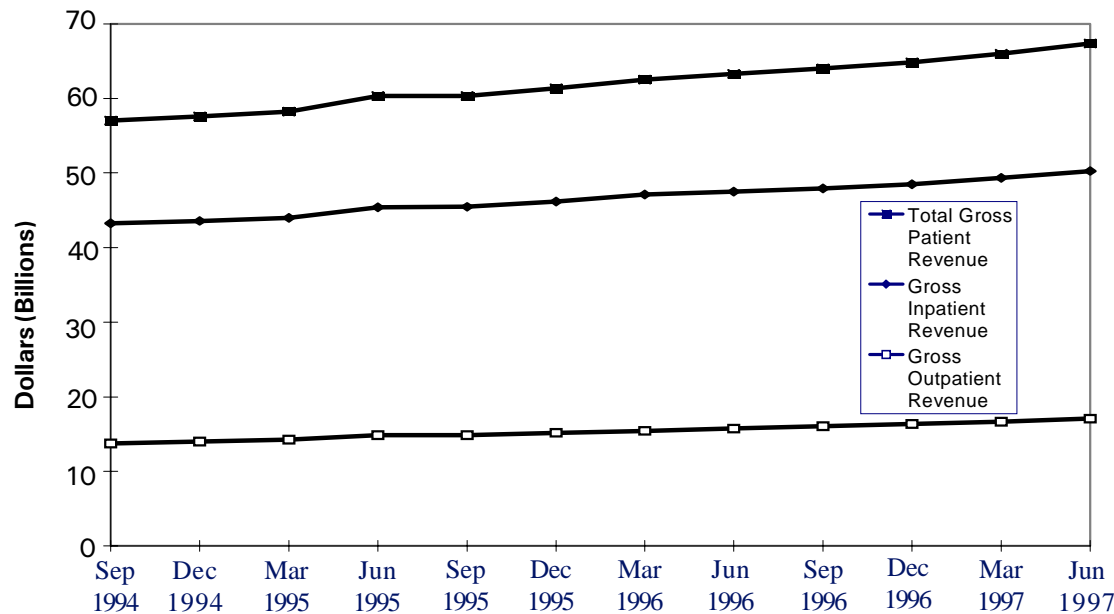
## **Technical Notes**

### ***Noncomparable Facilities & Data Used***

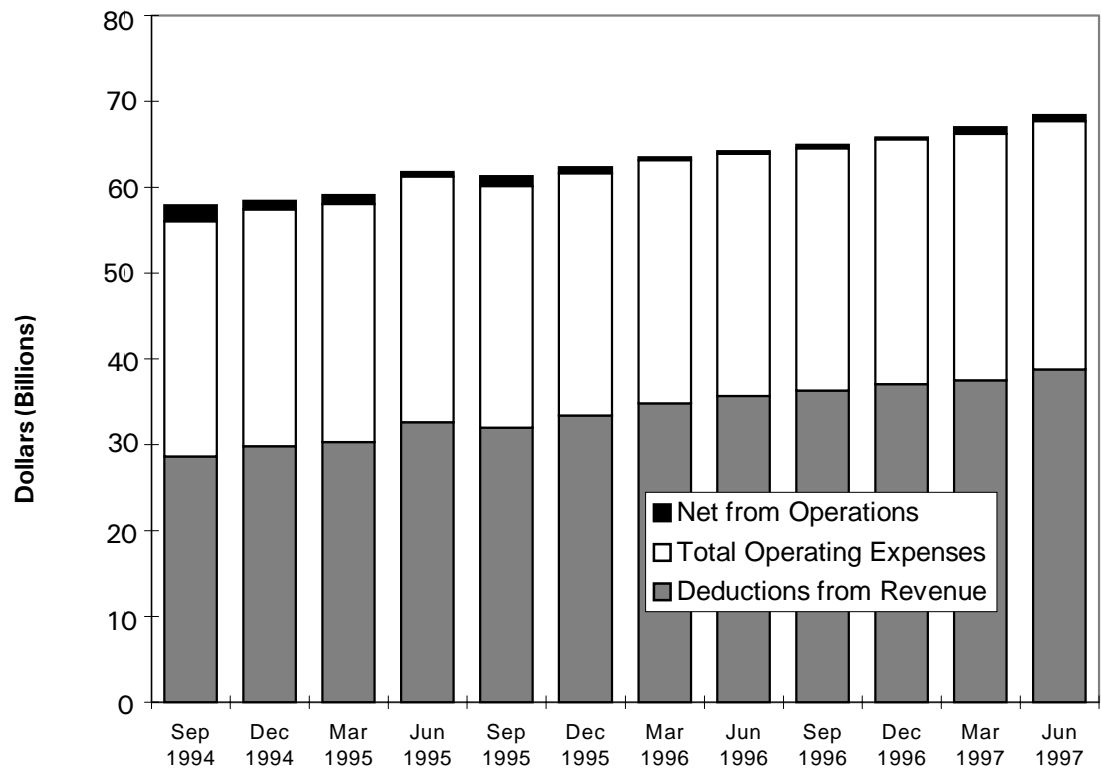
Although 560 hospitals submitted quarterly disclosure reports during this quarter, data from only 497 hospitals are considered comparable. Noncomparable hospitals fall into one of five categories: Prepaid Health Plan Hospitals, State Hospitals, Psychiatric Health Facilities, Long-term Care Emphasis Hospitals, and Other.

The graphs following this introduction are based on data from comparable facilities only, using data from the four quarters ending in the month noted. For more detailed quarterly financial and utilization data, refer to the *Quarterly Aggregate Hospital Financial Data* and *Quarterly Individual Hospital Financial Data* publications.

**Total Gross Patient Revenue**  
*For the four quarters ending in the month noted*

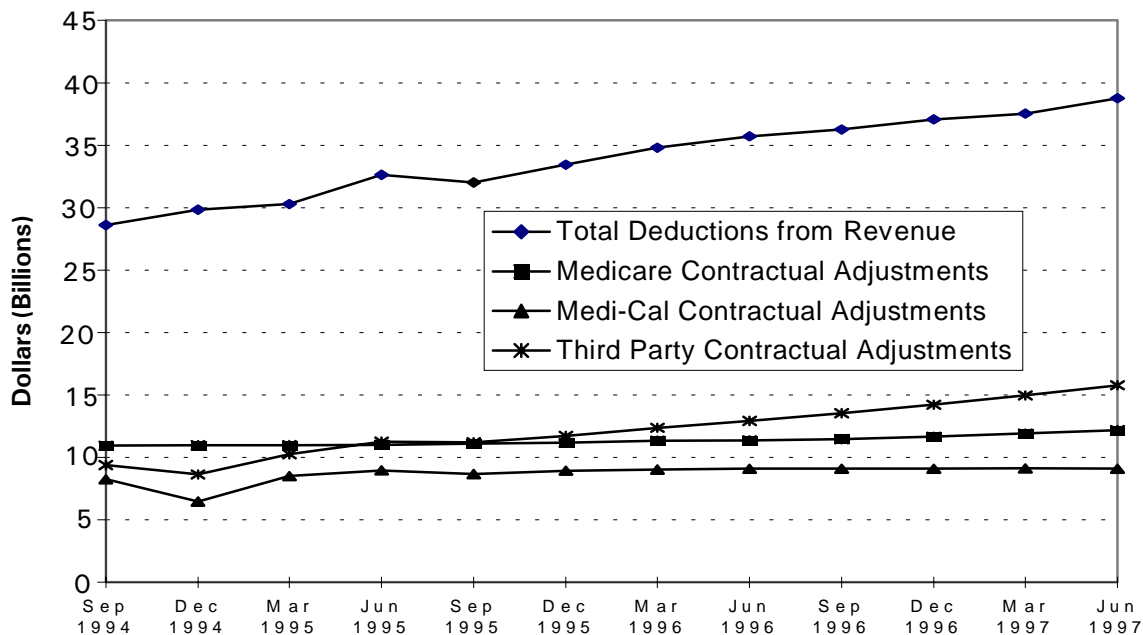


**Components of Gross Patient Revenue**  
*For the four quarters ending in the month noted*



### Selected Deductions from Revenue

*For the four quarters ending in the month noted*

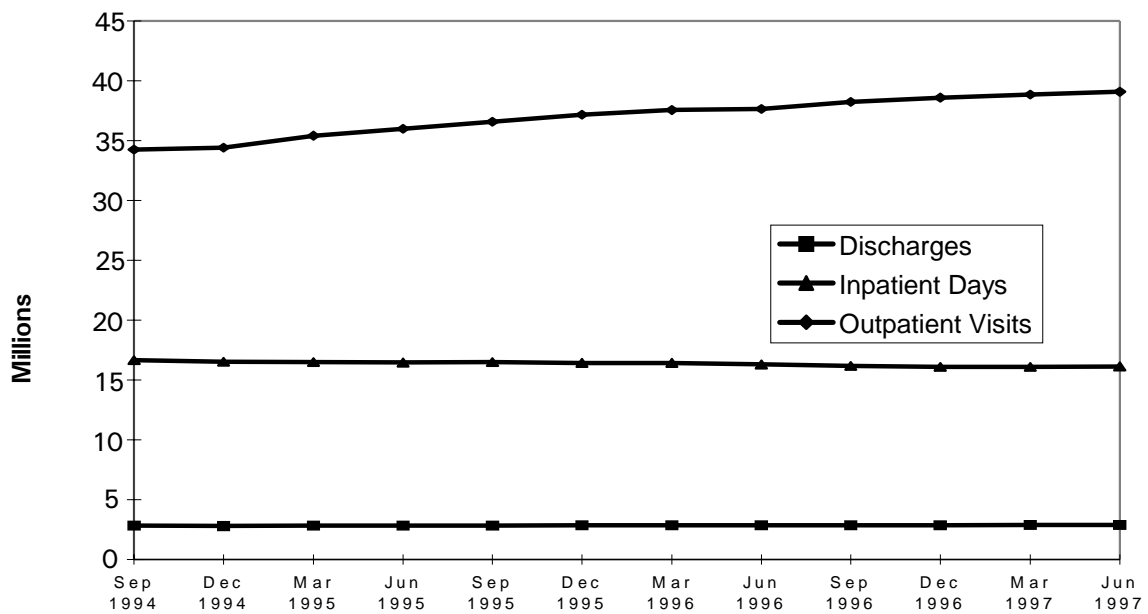


### Deductions from Revenue by Component

	Four Quarters Ending 6/30/96	Four Quarters Ending 6/30/97	Percent Change
Medicare Contractual Adjustments	\$11,394,796,427	\$12,179,852,680	6.9
Medi-Cal Contractual Adjustments	9,097,849,467	9,096,425,119	-0.02
Medi-Cal Disproportionate Share Payments	-1,255,032,840	-1,659,569,503	32.2
County Indigent Prog. Contractual Adj.	2,121,452,858	2,144,135,459	1.1
Other Third Party Payer Contractual Adj.	12,919,919,623	15,772,556,325	22.1
Bad Debts	1,219,259,144	1,175,263,896	-3.6
Charity-Hill Burton & Other	571,323,439	570,350,692	-0.2
Gifts/Subsidies for Indigent Care	-15,697,212	-21,677,298	38.1
Other Deductions	<u>-451,043,146</u>	<u>-488,367,352</u>	-9.7
Total Deductions from Revenue	\$35,602,827,760	\$38,768,970,018	8.9

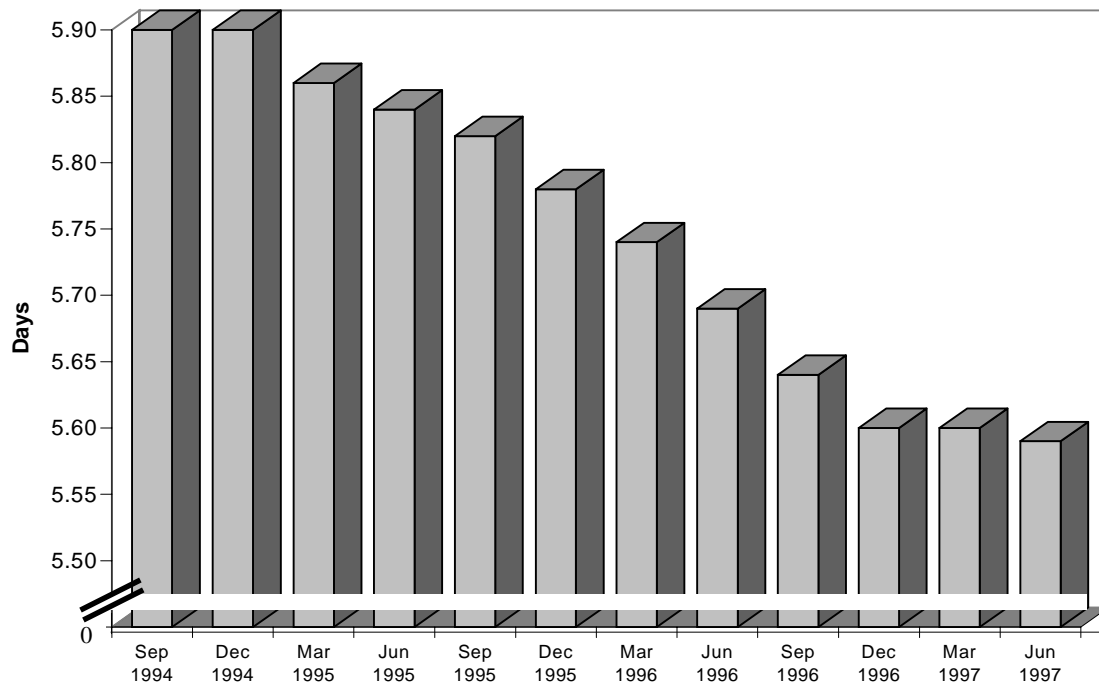
### Inpatient Days, Discharges, & Outpatient Visits

*For the four quarters ending in the month noted*



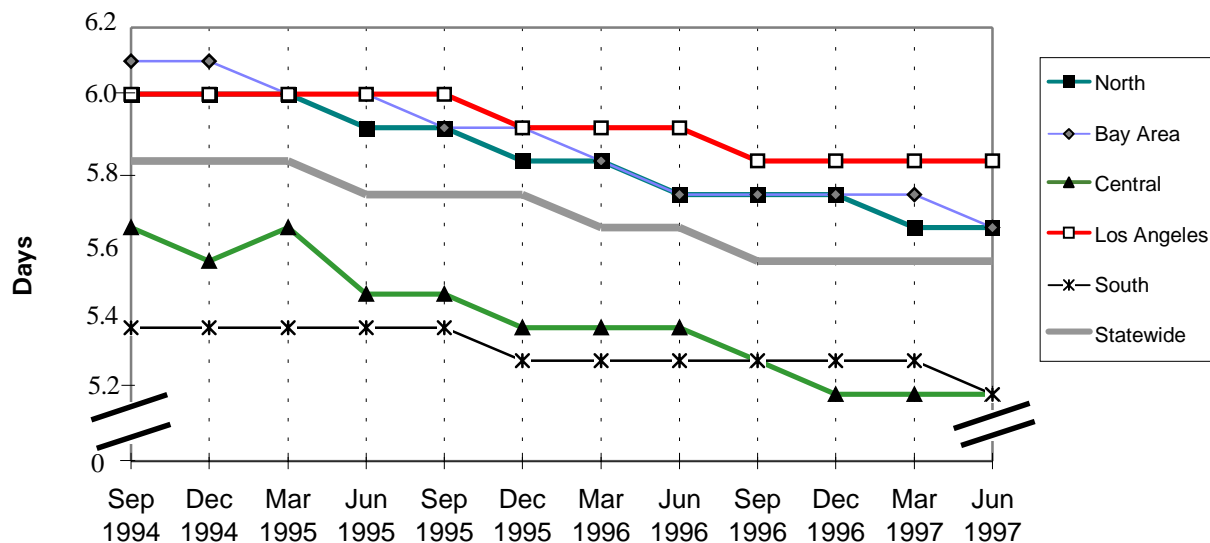
### Average Length of Stay, Statewide

*For the four quarters ending in the month noted*



### Average Length of Stay, by Region

*For the four quarters ending in the month noted*



### Counties by Region



Regional break-outs of counties mirror that of the *Quarterly* publication. The northern region includes Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Merced, Modoc, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba counties.

The Bay Area region includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma counties.

The central region includes the counties of Fresno, Inyo, Kern, Kings, Madera, Mariposa, Mono, Monterey, San Benito, San Bernardino, San Luis Obispo, Santa Barbara, Tulare, and Ventura.

The Los Angeles region includes the county of Los Angeles only, and the southern region includes Imperial, Orange, Riverside, and San Diego counties.

<b>Financial and Utilization Indicators</b>				
	<i>Four Quarters Ending</i>			<b>Percent</b>
	<b>6/30/96</b>	<b>6/30/97</b>	<b>Change</b>	<b>change</b>
<b>Gross Patient Revenue</b>				
Inpatient	\$47,522,597,837	\$50,294,135,490	\$2,771,537,653	5.83
Outpatient	\$15,746,340,980	\$17,089,851,367	\$1,343,510,387	8.53
Total Gross Patient Revenue	\$63,268,938,817	\$67,383,986,857	\$4,115,048,040	6.50
Medicare	\$20,494,652,177	\$21,625,642,986	\$1,130,990,809	5.51
Medi-Cal	\$13,233,991,978	\$12,924,005,601	-\$309,986,377	-2.34
Third Party	\$23,941,871,438	\$27,218,636,814	\$3,276,765,376	13.70
<b>Deductions from Revenue</b>				
Medicare Contractual Adjustments	\$11,394,796,427	\$12,179,852,680	\$785,056,253	6.89
Medi-Cal Contractual Adjustments	\$9,097,849,467	\$9,096,425,119	-\$1,424,348	-0.02
Third Party Contractual Adjustments	\$12,919,919,623	\$15,772,556,325	\$2,852,636,702	22.1
Other Deductions	\$2,190,262,243	\$1,720,135,894	-\$470,126,349	-21.5
Total Deductions from Revenue	\$35,602,827,760	\$38,768,970,018	\$3,166,142,258	8.89
<b>Net Patient Revenue</b>	\$27,666,111,057	\$28,615,016,839	\$948,905,782	3.43
Other Operating Revenue	\$950,806,716	\$1,038,363,338	\$87,556,622	9.21
Total Operating Revenue	\$28,616,917,773	\$29,653,380,177	\$1,036,462,404	3.62
Operating Expenses	\$28,308,061,729	\$28,949,612,422	\$641,550,693	2.27
Net from Operations	\$308,856,044	\$703,767,755	\$394,911,711	127.9
Pre-tax Net Income (Loss)	\$1,436,705,019	\$1,965,554,119	\$528,849,100	36.8
<b>Utilization Indicators</b>				
Discharges	2,862,400	2,881,697	19,297	0.67
Outpatient Visits	37,932,446	39,084,561	1,152,115	3.04
Inpatient Days	16,304,906	16,123,002	-181,904	-1.12
Length of Stay	5.7	5.6	-0.1	-1.75

Source: Office of Statewide Health Planning &amp; Development, February 1998

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